

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
SASKATCHEWAN, MANITOBA, Québec, NEW BRUNSWICK, YUKON, THE
NORTHWEST TERRITORIES AND NUNAVUT**

AND

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
AT&T CANADA INC.**

AND

**IN THE MATTER OF
6067760 CANADA INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Saskatchewan, Manitoba, Québec, New Brunswick, Yukon, the Northwest Territories and Nunavut (the "Jurisdictions") has received an application from AT&T Canada Inc. ("AT&T Canada") and 6067760 Canada Inc. ("New PublicCo") (collectively, the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- (a) the registration and prospectus requirements contained in the Legislation shall not apply to trades of securities in connection with a consolidated plan of arrangement and reorganization (the "Plan") under the *Companies' Creditors Arrangement Act* (the "CCAA") and the *Canada Business Corporations Act* (the "CBCA") which are not otherwise exempt from such requirements; and
- (b) certain requirements contained in the Legislation relating to the first trades of securities acquired under or in connection with the Plan shall not apply to the first trades of such securities.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Québec Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 - *Definitions* or, in Québec, Commission Notice 14-101;

AND WHEREAS the Filers have represented to the Decision Makers that:

1. AT&T Canada is organized under the laws of Canada. The registered and principal office of AT&T Canada is located at 200 Wellington Street West, Toronto, Ontario, Canada M5V 3G2.
2. AT&T Canada is Canada's largest competitive national broadband business service provider and competitive local exchange carrier and a leading provider of Internet and e-business solutions.
3. AT&T Canada is and has been a reporting issuer (or the equivalent) since December 3, 1997 in each of the Jurisdictions that recognizes the reporting issuer concept and is not in default of its obligations as a reporting issuer thereunder. AT&T Canada has a current AIF for the purposes of NI 44-101.
4. AT&T Canada's authorized capital currently consists of an unlimited number of Class A Voting Shares, an unlimited number of Class B Non-Voting Shares and an unlimited number of Non-Voting Preferred Shares, issuable in series. Other than with respect to voting rights and conversion rights, the Class A Voting Shares and Class B Non-Voting Shares have identical rights. As of January 15, 2003, AT&T Canada had 309,064 Class A Voting Shares, 106,905,919 Class B Non-Voting Shares and no Non-Voting Preferred Shares outstanding (such outstanding shares are hereinafter collectively referred to as, the "Existing Shares"). Tricap Investments Corporation, a wholly-owned subsidiary of Brascan Financial Corporation ("Brascan"), holds 50% of the Class A Voting Shares and 90.6% of the Class B Non-Voting Shares, CIBC Capital Partners holds 26.7% of the Class A Voting Shares and 9.3% of the Class B Non-Voting Shares and AT&T Corp., a U.S. company, holds 23% of the Class A Voting Shares. All of these shares are indirectly held through subsidiaries. In addition, there is a minority shareholder who holds less than 0.016% of the Class B Non-Voting Shares.
5. New PublicCo has been incorporated under the laws of Canada prior to the implementation of the Plan for the purpose of, among other things, effecting an exchange of the claims of Noteholders (as defined herein) and certain other creditors (collectively with the Noteholders, the "Affected Creditors") in accordance with the provisions of the Plan.
6. New PublicCo's authorized capital will consist of an unlimited number of Class A Voting Shares (the "Class A Shares") and an unlimited number of Class B Limited Voting Shares (the "Limited Voting Shares" and, together with the Class A Shares, the "New Shares"). The Limited Voting Shares will be almost identical to the Class A Shares, with the exception of voting rights and certain conversion features.
7. On the Plan Implementation Date (as defined herein), New PublicCo will establish the acquisition rights agreement substantially in the form attached to the Plan (the "Acquisition Rights Agreement"), whereby each holder of a Limited Voting Share will receive together with each Limited Voting Share, one right which, together with one Limited Voting Share, will entitle the holder thereof until December 31, 2004 to acquire one Class A Share (an "Acquisition Right"). Upon submitting to the rights agent under the Acquisition Rights Agreement the appropriate election form specifying the number of Limited Voting Shares to be converted, a certificate representing one Limited Voting Share for each accompanying Acquisition Right being exercised and a residency declaration to the transfer agent of New PublicCo stating that the

holder is a Canadian (as such term is defined in the *Telecommunications Act* (Canada) and the regulations thereunder (collectively, the "*Telecommunications Act*")), the corresponding number of Class A Shares will be issued to the holder of Limited Voting Shares. The Acquisition Rights will trade together with the Limited Voting Shares and will be represented by Limited Voting Share certificates.

8. On the Plan Implementation Date, New PublicCo will establish the new rights plan substantially in the form attached to the Plan (the "New Rights Plan") to ensure, to the extent possible, that all shareholders will be treated equally and fairly in furtherance of any take-over offer for New PublicCo. In addition, one Right will be issued for each additional New Share issued thereafter and prior to the Separation Time (as defined in the New Rights Plan) and the time at which the right to exercise the Rights terminates under the New Rights Plan. The Rights are not exercisable until the Separation Time.

Background and Summary of the Plan

9. AT&T Canada and certain of its operating subsidiaries, namely AT&T Canada Corp., AT&T Canada Telecom Services Company, AT&T Canada Fibre Company, MetroNet Fiber US Inc., MetroNet Fiber Washington Inc. and Netcom Canada Inc. (collectively, the "Subsidiaries" and together with AT&T Canada, the "AT&T Canada Companies"), sought and, by order (the "Order") of the Ontario Superior Court of Justice (the "Court"), were granted protection from their creditors pursuant to the CCAA. The Plan and an information circular (the "Circular") describing the Plan and the Order were filed with the Court on January 22, 2003. The AT&T Canada Companies have consolidated public debt in excess of \$4.7 billion. AT&T Canada owns 100% of the voting preferred shares and 69% of the non-voting common shares of AT&T Canada Corp., with the remaining non-voting common shares being held indirectly by Brascan. All the other Subsidiaries are either directly or indirectly wholly-owned subsidiaries of AT&T Canada Corp.

10. Ancillary proceedings were commenced in the United States under the U.S. Bankruptcy Code. The ancillary proceedings formally recognize the CCAA proceedings in Canada.

11. On February 20, 2003, the holders of AT&T Canada's Senior Notes (the "Noteholders") and the other Affected Creditors approved the Plan at a formal meeting (the "Meeting"). In connection with the Meeting, the Plan and the Circular (which contains prospectus-level disclosure with respect to New PublicCo) were mailed to the Affected Creditors on or about January 22, 2003.

12. The Plan was also approved, upon consideration of the fairness and reasonableness of the Plan, by the Court on February 25, 2003.

Reorganization of Corporate Structure

13. On the date of the implementation of the Plan (the "Plan Implementation Date"), AT&T Canada will become a wholly-owned subsidiary of New PublicCo in accordance with the provisions of the Plan. In addition, the articles of reorganization of AT&T Canada will cancel the

existing equity of AT&T Canada (including options or other rights to acquire the existing shares of AT&T Canada) without payment of any compensation.

14. In addition to providing for the compromise, settlement and payment of certain claims of the Affected Creditors, one of the purposes of the Plan is to simplify the operating corporate structure of AT&T Canada. Under the Plan, AT&T Canada will cause a newly-incorporated, wholly-owned subsidiary, 6041027 Canada Inc. ("New OpCo"), to effect an amalgamation among New OpCo and certain subsidiaries of AT&T Canada, namely AT&T Canada Corp., AT&T Canada Telecom Services Company, AT&T Canada Fibre Company, Netcom Canada Inc., Netcom Canada Holdings Inc., 1219404 Ontario Inc. and 950545 Ontario Inc. (collectively, the "Amalgamating Subsidiaries") by way of an arrangement pursuant to Section 192 of the CBCA.

15. As a wholly-owned subsidiary of AT&T Canada, the amalgamated company, New OpCo, will carry on the businesses formerly conducted by each of the Amalgamating Subsidiaries. In effect, after the reorganization under the Plan, the business of AT&T Canada will be carried on through one Canadian operating subsidiary instead of several operating subsidiaries and AT&T Canada will become the wholly-owned subsidiary of a new holding company, New PublicCo, whose only assets will be the common shares and debt of AT&T Canada. Following the implementation of the Plan, New PublicCo, through its wholly-owned subsidiary, AT&T Canada, and its indirect wholly-owned subsidiary, New OpCo (and certain other remaining subsidiaries), will carry on the business previously conducted by AT&T Canada through its operating subsidiaries.

16. On the Plan Implementation Date, the name of New PublicCo will be changed to "AT&T Canada Inc." and the name of AT&T Canada will be changed from "AT&T Canada Inc." to "AT&T Canada Limited."

Treatment of Affected Creditors

17. The Plan contemplates that New PublicCo will acquire the claims of the Affected Creditors in exchange for a creditors' equity pool (the "Creditors' Equity Pool") of New Shares and a cash pool of not less than \$200 million (the "Cash Pool"). Under the Plan, each Affected Creditor will receive a *pro rata* share from the Cash Pool and a *pro rata* share of the New Shares from the Creditors' Equity Pool based on their respective claims for distribution. Non-Canadian Affected Creditors will receive their *pro rata* share of: (a) 33% of the total number of outstanding Class A Shares; and (b) subject to the qualification outlined immediately below, 100% of the total number of outstanding Limited Voting Shares. Canadian Affected Creditors will receive their *pro rata* share of the remaining 66% of the total number of outstanding Class A Shares. Notwithstanding the foregoing, the Plan provides that no Affected Creditor, together with any person or group of persons with whom it is acting jointly or in concert, will be entitled to receive a number of Class A Shares which would cause it, together with any person or group of persons with whom it is acting jointly or in concert, to hold in excess of 10% of the outstanding Class A Shares on the Plan Implementation Date; instead, Limited Voting Shares will be substituted for such excess number of shares.

18. The equity of current shareholders in AT&T Canada will be cancelled without compensation, as will the equity holdings of Brascan in AT&T Canada Corp.

19. As part of the Plan, the existing incentive plans of AT&T Canada and all options and other entitlements granted thereunder will be cancelled without payment of any consideration and a new management incentive plan (the "MIP") will be implemented by New PublicCo. The MIP will permit the grant of options, share appreciation rights and restricted share units to eligible officers, other key employees and consultants (the "Employees") of New PublicCo and its affiliate companies. Approximately 10% of the total number of New Shares outstanding immediately after the implementation of the Plan will be reserved for issuance under the MIP.

20. As U.S. residents hold in excess of 90% of AT&T Canada's public debt, U.S. residents will hold most of the equity in New PublicCo upon implementation of the Plan. In addition to seeking a listing of the New Shares on The Toronto Stock Exchange (the "TSX"), New PublicCo intends to seek a listing on the NASDAQ National Market System for the New Shares. AT&T Canada believes, based on legal and financial advice received, that it will be able to meet the listing criteria for the TSX and the NASDAQ National Market System.

21. One of the conditions to the implementation of the Plan provides that all of the applicable approvals and orders of applicable Canadian and U.S. securities regulatory authorities and the TSX must have been obtained by New PublicCo with respect to the issuance, listing and posting for trading of the New Shares to be issued under the Plan to permit holders of the New Shares to freely trade and dispose of the New Shares in the ordinary course.

22. AT&T Canada has been advised by U.S. counsel that: (i) the issuance of the New Shares is exempt from registration pursuant to Section 3(a)(10) of the United States *Securities Act of 1933* (the "1933 Act"), and (ii) the New Shares to be issued under the Plan will be freely tradeable under the 1933 Act except for such New Shares held by persons who are deemed to be affiliates of AT&T Canada on or prior to the Plan Implementation Date or who are deemed to be affiliates of New PublicCo after the Plan Implementation Date.

Summary of Trades of Securities Pursuant to the Plan

23. The Plan contemplates a number of trades of securities in the Jurisdictions, including:

(a) the transfer of the claims (including the Notes) of Affected Creditors to New PublicCo;

(b) the issuance of New Shares, including any Acquisition Rights in respect of the Limited Voting Shares, and any Class A Shares issued on exercise of Acquisition Rights or on conversion of the Limited Voting Shares and any Limited Voting Shares issued on conversion of the Class A Shares;

(c) the issuance of Rights; and

(d) the sale of New Shares by AT&T Canada or New PublicCo, where required in order to comply with any tax deduction or withholding requirements which New PublicCo or the AT&T Canada Companies is required to make on behalf of any Affected Creditor in accordance with Section 4.11(b) of the Plan

(such issuances and transfers are collectively the "Trades").

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the registration and prospectus requirements contained in the Legislation shall not apply to the Trades made pursuant to the Plan.

THE DECISION of the Decision Makers under the Legislation is that the prospectus requirement contained in the Legislation shall not apply to the first trade of securities acquired pursuant to the Plan in a Jurisdiction, including securities issued on the exercise of the Acquisition Rights, the Rights or on conversion of the Class A Shares to Limited Voting Shares, provided that:

(a) except in Québec, the conditions in subsection (4) of section 2.6 or, with respect to control distributions, subsection (3) of section 2.8 of Multilateral Instrument 45-102 *Resale of Securities* ("MI 45-102") are satisfied. For greater certainty, for the purposes of determining the period of time that the New PublicCo has been a reporting issuer under section 2.6 or 2.8 of MI 45-102, the period of time during which AT&T Canada was a reporting issuer may be included and, furthermore, for the purpose of determining the period of time that any "control person" has held Limited Voting Shares or Class A Shares, as the case may be, the time such person has held the Notes exchanged for such shares pursuant to the Plan may be included; and

(b) in Québec,

(i) the issuer is a reporting issuer in Québec and has complied with the applicable requirements for 12 months,

(ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade,

(iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade, and

(iv) if the selling shareholder is an insider of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation.

DATED this 28th day of March, 2003.

"Josée Deslauriers"

Josée Deslauriers,

Director of Capital Markets